

EXHIBIT 2DATE 1-27-09HS 261*Legislative Fiscal Division***Montana Income Tax Payers Who Itemize Federal Taxes Paid**

Representative McGillvray

01/21/09

Filers who Itemize Federal Tax Liability	Count	Percent of Total	Federal Tax Liability Claimed	Percent of Total	Average Federal Tax Liability Claimed
"A" Filers claiming \$5,000 federal deductibility	72,094	25%	360,470,000	34%	5,000
"B" Filers claiming \$5,000 federal deductibility	22,206	8%	111,030,000	10%	5,000
"A" filer claiming something less than \$5,000	89,039	31%	228,544,163	21%	2,567
"B" filer claiming something less than \$5,000	55,832	19%	113,577,276	11%	2,034
Married Filers filing jointly claiming \$10,000	11,807	4%	118,070,000	11%	10,000
Married Filers claiming something less than \$10,000	<u>36,606</u>	<u>13%</u>	<u>133,377,306</u>	<u>13%</u>	<u>3,644</u>
Total	<u>287,584</u>	<u>100%</u>	<u>1,065,068,745</u>	<u>100%</u>	<u>3,704</u>

Impact of Inflation on the Cap on Federal Deductibility - State Income Taxes

Calendar Year	CPI Index	Percent Change	Federal Deductibility Cap - Current Law	Federal Deductibility Cap - Adjusted for Inflation	Difference
2007	2.07				
2008	2.15	3.8%	5,000	5,000	-
2009	2.10	-2.2%	5,000	5,000	-
2010	2.15	2.4%	5,000	5,000	-
2011	2.23	3.4%	5,000	5,168	168
2012	2.28	2.5%	5,000	5,296	296
2013	2.34	2.5%	5,000	5,428	428
2014	2.39	2.3%	5,000	5,553	553
2015	2.44	2.0%	5,000	5,663	663
2016	2.49	2.1%	5,000	5,782	782
2017	2.54	2.1%	5,000	5,904	904
2018	2.60	2.1%	5,000	6,029	1,029
2019	2.65	2.1%	5,000	6,155	1,155
2020	2.71	2.1%	5,000	6,284	1,284
2021	2.76	2.1%	5,000	6,416	1,416
2022	2.82	2.1%	5,000	6,551	1,551
2023	2.88	2.1%	5,000	6,689	1,689
2024	2.94	2.1%	5,000	6,829	1,829
2025	3.00	2.1%	5,000	6,973	1,973
2026	3.07	2.1%	5,000	7,119	2,119
2027	3.13	2.1%	5,000	7,268	2,268

Subject:

Stephanie

I reran the model for HB261 with only the inflation adjustment for the deduction for federal taxes. Here are the reductions in tax liability with just this change:

2011	-1.503
2012	-2.782
2013	-4.232

These are about \$1 million per year less than the bill as introduced.

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